

**Sole
Proprietorship****Partnership****Corporation****Sub-S
Corporation****Liability**

Owner liability unlimited. Personal property can be attached by creditors to settle business debts.

Unlimited for general partners. General partners are jointly and severally liable for obligations of partnership. Limited partner's liability limited to amount invested.

Shareholders' liability limited to their investment in corporation stock.

Same as regular corporation.

Taxation

Owner taxed on business profits whether or not distributed.

Partners taxed on share of partnership income whether or not distributed.

Corporation taxed on taxable income, whether or not distributed to shareholders.

Shareholders taxed on taxable income of corporation, whether or not distributed.

Advantages

- Uncomplicated—ease of formation.
- Greater flexibility of action.
- Singleness of control.
- Economy of operation.
- Tax advantage by avoiding corporate income tax.
- Maximum centralized authority.

- Division of responsibilities.
- Ease of formation.
- Greater flexibility of action.
- Increased sources of capital.
- Incentive to key employees.
- Tax advantage by avoiding corporate income tax.

- Legal entity separate from individuals.
- Limited personal liability.
- Continuity of existence.
- Continuity of management.
- Easier to raise capital.
- Incentive to key employees.
- Readily transferrable interests.
- Possible separation of ownership and management.

- Legal entity separate from individuals.
- Limited personal liability.
- Continuity of existence.
- Continuity of management.
- Readily transferrable interests.
- Possible separation of ownership and management.
- Net operating loss deductible by shareholders.

Disadvantages

- Unlimited personal liability
- Legal life ends with owner's death
- Difficulty in raising capital.
- Possible personnel difficulties.
- Owner's salary cannot be treated as expense, hence, not tax deductible.

- Unlimited personal liability.
- Impermanency of existence.
- Division of control/authority.
- Difficult to find compatible partners.
- Difficult to raise additional capital.
- Owners' salary/wage cannot be treated as expense, hence, not tax deductible.

- Difficult, costly formation.
- Subject to close government regulation.
- Scope limited by corporate charter.
- Inflexibility of operations.
- Double taxation by paying both corporate and personal income taxes.

- Only one class of stock outstanding.
- Difficult, costly formation.
- Subject to close government regulation.
- Inflexibility of operations.